

ORIGINAL
NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

DOCKETED

OCT 14 2009

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G-01551A-09-0490

IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL OF A TEMPORARY
CUSTOMER CREDIT TO THE GAS COST
BALANCING ACCOUNT

DOCKET NO. G-01551A-09-_____

APPLICATION

**APPLICATION OF SOUTHWEST GAS CORPORATION FOR APPROVAL OF A
TEMPORARY CUSTOMER CREDIT TO THE GAS COST BALANCING ACCOUNT**

Introduction

1. Southwest Gas Corporation ("Southwest") hereby submits its application to the Arizona Corporation Commission ("Commission") respectfully requesting approval to apply a temporary customer credit of \$0.07678 cents per therm to the Gas Cost Balancing Account ("GCBA") until the balance reaches zero or until otherwise modified by the Commission, whichever occurs first.

2. Southwest is a corporation duly organized and validly existing under the laws of the state of California and is qualified to transact intrastate business and is in good standing under the laws of the state of Arizona. Southwest is engaged in the retail transmission, distribution, transportation, and sale of natural gas for domestic, commercial, agricultural, and industrial uses to approximately 1.8 million customers in the states of Arizona, California, and Nevada. Southwest's corporate offices are located at 5241 Spring Mountain Road, P.O. Box 98510, Las Vegas, Nevada 89193-8510.

1 3. Southwest is a public utility in the state of Arizona and is subject to the
2 Commission's jurisdiction with respect to its prices and terms of natural gas service to retail
3 customers in Arizona pursuant to the applicable sections of Article XV of the Arizona Constitution
4 and the applicable chapters of Title 40 of the Arizona Revised Statutes. Southwest currently
5 provides natural gas service to approximately 980,000 customers in ten counties in the state of
6 Arizona, including Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Pima, Pinal, and
7 Yuma.

8
9 4. Communications regarding this filing should be addressed to:

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24 **Background**

25 5. Southwest does not mark-up or profit on the natural gas it supplies to customers, and
is permitted to recover only the cost of the natural gas. Differences between the actual cost of
natural gas and the rolling average twelve month cost of natural gas are tracked and recorded in the
GCBA, so that under-collections can be recovered by the company and over-collections can be
returned to customers.

 6. Southwest's Purchased Gas Cost Adjustment Provision ("PGA") is an adjustment
mechanism that establishes the gas cost rate to be charged to customers. The monthly PGA
mechanism was initially implemented in 1999 and certain aspects of the mechanism have been
subsequently modified by the Commission in both Southwest's 2004 and 2007 general rate cases.
The Commission's most recent modification of the PGA occurred less than one year ago in
Decision No. 70665, issued December 24, 2008.

1 7. Commission Decision No. 70665 approved Staff's recommendation to increase the
2 bandwidth of the purchased gas cost rate from \$0.13 to \$0.15 per therm. The Commission also
3 approved Staff's concurrent recommendation to eliminate the threshold for under-collected GCBA
4 balances, and to increase the over-collection threshold to \$55.78 million.

5 8. The current Southwest PGA rate is calculated based upon a twelve-month rolling
6 average, with a \$0.15 cent per therm annual bandwidth. This has the effect of the PGA rate not
7 changing by more than \$0.15 cents per therm from any PGA rate in effect during the preceding
8 twelve months. The rolling average and bandwidth mechanisms are designed to reduce the
9 volatility of gas costs passed on to customers.

10 9. As noted above, differences between the actual cost of natural gas and the rolling
11 average twelve-month cost of natural gas are tracked and recorded in the GCBA. If the GCBA
12 balance reaches an over-collection of \$55.78 million, Southwest is required to file an application for
13 a GCBA adjustment within forty-five (45) days of its monthly information filing that illustrates that
14 the threshold has been exceeded or contact the Commission to discuss why an adjustment is not
15 necessary.

16 10. As of September 30, 2009, Southwest's GCBA balance has reached a surplus (over-
17 collection) of approximately \$38 million. Based upon current market conditions, Southwest
18 anticipates that its GCBA balance may grow, subject to the actual level of natural gas prices that
19 prevail during the coming winter season. While natural gas prices and sales volumes can be volatile
20 during the winter heating season, Southwest believes that that it is reasonable to implement a credit
21 to refund the existing GCBA level to customers at this time.

1 **Request for Approval of Temporary Credit**

2 11. As recent as April 2009 Southwest's GCBA balance reflected an under-collection.
3 Given the sustained decline in the market price for natural gas, the GCBA has experienced monthly
4 credits to the bank balance and a reversal of the under-collection.

5 12. While the over-collection has not yet reached the \$55.78 million threshold that could
6 require Southwest to file an application to implement a credit to the GCBA, Southwest believes it is
7 in the public interest to file an application at this time using the September 30, 2009 GCBA balance
8 because it will mitigate potential further over-recoveries in the GCBA and it will enable the
9 Commission to authorize a sizable reduction in customer bills during the upcoming heating season.

10 13. As reflected in Attachment 1, using the September 2009 ended GCBA balance and
11 recorded sales for the 12-month period ended September 2009 to calculate a GCBA adjustment
12 results in a credit of \$0.07678 per therm. Southwest anticipates that a \$0.07678 per therm credit
13 will return approximately \$38.8 million to its customers over a twelve-month period. Southwest
14 will continue to monitor future fluctuations in the GCBA balance and may propose the Commission
15 adjust any credit it authorizes pursuant to the instant application based upon actual changes in the
16 GCBA balance.

17 14. Southwest submits that when determining an appropriate temporary credit it is
18 necessary to balance the advantages of establishing a credit that will return an over-collection to
19 customers in a timely manner against the possibility of inadvertently establishing a credit that is too
20 high and that may contribute to a later under-collection that may be burdensome to resolve.
21 Southwest believes that its proposal herein, including the implementation of a temporary customer
22 credit of \$0.07678 per therm strikes an appropriate balance between these two considerations.
23
24
25

1 15. As reflected in Attachment 2, a comparison of average single-family residential bills
2 at currently effective rates and at proposed rates for each of last year's winter months illustrates an
3 average customer winter savings of 4.52 percent if the requested temporary customer credit is
4 approved. As reflected in Attachment 2, a customer who consumes the January 2009 single-family
5 residential average of 62 therms should experience a \$4.76 reduction in their bill.

6 16. Southwest respectfully requests expedited treatment of this application to ensure that
7 the credit can be in place during the upcoming heating season and to ensure customers receive the
8 benefit of the credit during the time of year when customer consumption is the highest. In this
9 regard, Southwest commits to work with the Commission Staff so an appropriate temporary credit
10 adjustment can be implemented by December 1, 2009, or as soon as otherwise practical thereafter.

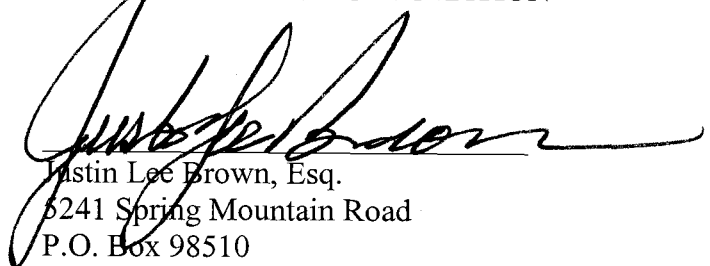
11
12 **Summary and Conclusion**

13 17. Based upon the foregoing, Southwest respectfully requests that the Commission
14 issue an order authorizing Southwest to apply a temporary credit adjustment of \$0.07678 cents per
15 therm to its GCBA until the bank balance reaches zero or until otherwise modified by the
16 Commission, whichever occurs first.

1 18. Southwest respectfully requests expedited treatment of this application such that the
2 credit can be implemented by December 1, 2009, or as soon as otherwise practicable thereafter.

3 DATED this 14 October 2009.

4 Respectfully submitted by,
5 SOUTHWEST GAS CORPORATION

6 
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14 *Attorney for Southwest Gas Corporation*

Attachment 1

**SOUTHWEST GAS CORPORATION
ARIZONA
COMPUTATION OF GAS COST BALANCING
ACCOUNT ADJUSTMENT**

Line No.	Description (a)	Rate Per Therm (b)	Amount (c)	Line No.
1	Account No. 191 Balance as of September 30, 2009		\$ (38,838,212)	1
2	Sales Volumes for 12 months (Therms) [1]		505,811,183	2
	<u>Account No. 191</u>			
	Gas Cost Balancing Account Adjustment if the balance is collected over 12 months (Line 1 divided by Line 2)	\$ (0.07678)		3
4	Currently Effective Gas Cost Balancing Account Adjustment	<u>\$ -</u>		4
5	Annual Increase/(Decrease) in Gas Cost Balancing Account Adjustment	<u>\$ (0.07678)</u>	<u>\$ (38,836,183)</u>	5

[1] Based on actual sales for the 12 months ended September 30, 2009.
(excluding Schedule Nos. Transportation, Optional and G-80) (Rev/95 Vista Rpt).

Attachment 2

**SOUTHWEST GAS CORPORATION
ARIZONA DIVISION
BILL COMPARISON
SINGLE-FAMILY RESIDENTIAL GAS SERVICE**

Line No.	Description	Monthly Consumption (Therms) (b)	Monthly Bill		Increase/(Decrease)		Line No.
			Currently Effective Rates (c)	Proposed Rates [1] (d)	Dollars (e)	Percent (f)	
<u>Recorded Winter Season</u>							
1	November-08	16	\$ 32.91	\$ 31.69	\$ (1.22)	(3.71%)	1
2	December-08	33	\$ 56.52	\$ 53.98	\$ (2.54)	(4.49%)	2
3	January-09	62	\$ 96.78	\$ 92.02	\$ (4.76)	(4.92%)	3
4	February-09	46	\$ 74.57	\$ 71.04	\$ (3.53)	(4.73%)	4
5	March-09	31	\$ 53.74	\$ 51.36	\$ (2.38)	(4.43%)	5
6	April-09	22	\$ 41.25	\$ 39.56	\$ (1.69)	(4.10%)	6
7	Winter Average	35	\$ 59.29	\$ 56.61	\$ (2.68)	(4.52%)	7
8	Annual Average [2]	23	\$ 43.21	\$ 41.41	\$ (1.80)	(4.17%)	8
<hr/>							
<u>Current Tariff Rates</u>							
9	Basic Service Charge per Month		\$ 10.70				9
10	All Usage		\$ 1.38842				10
 <u>Proposed Tariff Rates [1]</u>							
11	Basic Service Charge per Month		\$ 10.70				11
12	All Usage		\$ 1.31164				12

[1] Includes a Purchased Gas Adjustment Surcredit of \$.07678 based on 191